

# **PAYROLL DEDUCTION AGREEMENT GUIDELINES**

## **I. BACKGROUND**

The Personnel Cabinet maintains a statewide payroll system for all employees of the Executive, Legislative, and Judicial branches of government. For a number of years the Personnel Cabinet has provided a service for the benefit of its employees by allowing organizations, such as dental, vision or other types of insurance companies to collect payments by payroll deduction in exchange for a nominal fee. Participation in this program is subject to the following considerations:

### **POLICIES ESTABLISHED BY THE PERSONNEL CABINET ARE AS FOLLOWS:**

- 1) The Personnel Cabinet and the Commonwealth of Kentucky are not parties to any agreement between the individual employee and the company.
- 2) The Personnel Cabinet and the Commonwealth of Kentucky do not and will not serve any function other than as a conduit for the payment of premiums.
- 3) The Personnel Cabinet and the Commonwealth of Kentucky do not endorse any insurance product and will not serve as an agent for the company, a guarantor of payments, or a facilitator of meetings. In addition, despite willingness to make necessary internal changes, neither the Personnel Cabinet nor the Commonwealth of Kentucky will provide signature on any documents including but not limited to acknowledgements of receipts of rate increase notices or to company change notices.
- 4) The Personnel Cabinet and the Commonwealth of Kentucky are not responsible for serving notice to employees with respect to changes in the terms of the coverage or continuity of coverage.
- 5) The Personnel Cabinet and the Commonwealth of Kentucky will not provide information relating to the home addresses, telephone numbers or any other information of a personal nature to companies.
- 6) If a company increases its coverage rate, it shall notify the Personnel Cabinet and covered employees, in writing, at least sixty (60) days in advance. If a company increases rates via anniversary date or date of birth, it shall notify the Personnel Cabinet, each Payroll Officer of the covered employee's agency, and the covered employees, in writing, at least sixty (60) days in advance of the rate change.
- 7) If a company changes deduction frequencies, it shall notify the Personnel Cabinet, each Payroll Officer of the covered employee's agency, and the covered employees, in writing, at least sixty (60) days in advance of the rate change.
- 8) In the event of a change of ownership, change of name, sale of a portion of the product to another company, or any other material change in the ability of the company to provide the services contracted for, the company shall notify the Personnel Cabinet, in writing, at least sixty (60) days prior to the change, and an updated agreement shall be submitted to the Personnel Cabinet. If the company wishes to change contact information such as agent name and/or address, an updated agreement shall be submitted to the Personnel Cabinet.
- 9) If a company decides to terminate this agreement, ending payroll deduction and beginning direct billing or ceasing benefits altogether, the company shall notify the Personnel Cabinet, each Payroll Officer of the covered employee's agency, and the covered employees, in writing, at least sixty (60) days in advance of the termination date.
- 10) Companies who insist on having an open enrollment will not be permitted to participate in the payroll deduction program.
- 11) The Personnel Cabinet reserves the right to recover costs and add a surcharge based on a company's failure to comply with these policies. Repeated failure of any company or organization to comply with the above written policies may result in removal from participation in the payroll deduction program.

**12) Any company or organization offering an insurance product shall remain in compliance with all applicable laws and regulations governing insurance within the Commonwealth of Kentucky.**

## **II. APPLICATION/AGREEMENT**

The Personnel Cabinet reserves the right to deny participation requests from companies already existing in the payroll deduction program. It also reserves the right to discontinue programs that are determined not to be consistent with the best interests of the Commonwealth. The following programs are eligible to be approved for payroll deductions: *Optional individual life, dental and vision insurance plans in addition to the state-sponsored plan, Annuities for Department of Education or Workforce Development Cabinet employees under Internal Revenue Code 403(b), property and casualty insurance plans and Employee Organizations.*

The following programs are **not** eligible to be approved for payroll deductions: *Optional individual employee health insurance plans and state sponsored Managed Care Health Insurance Plans.*

In order to apply for payroll deduction, a company or organization must obtain a Certificate of Authorization to Deduct Charges/Agreement form from the Personnel Cabinet. This Agreement must be completed with all information required as well as accompanied by the required documents and returned to the Personnel Cabinet at least sixty (60) days prior to the first payroll deduction date. Forms that are not fully completed will be returned to the company or organization for completion. Upon approval of a completed Agreement, a payroll utility number will be assigned to the company or organization through an approval letter. Despite the accompaniment of the required proof of licensing **the Personnel Cabinet will verify that the company or organization is licensed to do business in Kentucky.** The approval process for the Agreement may require thirty (30) to sixty (60) days. No company or organization should expect to have any deductions made for 60 days after the Agreement is approved. Companies or organizations interested in applying for payroll deduction must contact: Mary Elizabeth Harrod, Division of Employee Management, Department for Personnel Administration, Personnel Cabinet, 501 High Street, 3<sup>rd</sup> Floor, Frankfort, Kentucky 40601.

## **III. ADMINISTRATIVE FEE (effective June 1, 2008)**

There is a charge to the company or organization for payroll deduction processing each pay period, unless the deduction is a benefit under state law. The charge is subject to change, but is presently \$58.00 per pay period for the cost of processing checks and vouchers plus 10 cents per employee deduction for the cost of processing employee deductions. The Personnel Cabinet reserves the right to increase charges upon written notification at least 30 days prior to the effective date. In the event of an increase, the Personnel Cabinet may require the company or organization to execute an amended agreement. Companies or organizations may not pass these charges on to state employees.

The total monthly charges for each company or organization are deducted from monthly billings. If payroll deductions are insufficient to cover these charges, the company or organization will be invoiced for the difference.

## **IV. SOLICITATION, DISSEMINATION OF INFORMATION**

**All companies or organizations must receive prior written approval from the Division of Employee Management, Personnel Cabinet before communications or contacts of any kind may be made with state agencies. All printed information materials to be distributed by the company/organization must be reviewed and approved by the Division of Employee Management, Department for Personnel Administration, Personnel Cabinet.**

After receiving written approval from the Division of Employee Management, Personnel Cabinet, a company or organizations must contact other agency Payroll Offices to receive their policies on visiting or distributing any materials. Distribution of any information or visits to individual agencies must have prior approval by the agency Personnel Office. **Please note that without prior approval, an agency has the right to ask you to leave and may also refuse to facilitate the distribution of any materials.**

If the company or organization wishes to send out mailings to the individual employee (participant), the mailings must be directed to the employee's home address, not his or her work address, nor to the Personnel Cabinet for forwarding service. Additionally, all claim forms or benefit payments must be sent directly to and made payable to the employee (participant), **not** to the employing agency. It is the

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responsibility of the company or organization to develop its own mailing lists of participants. State agencies will not provide the home addresses of state employees or confirm the accuracy of home addresses compiled by a company or organization.

No solicitations of state employees may be made on state time (i.e., while the employee is at work). All solicitations must be made on the employee's break time, lunchtime or before or after working hours. State agencies may not encourage or endorse participation in any program that is not a state benefit authorized by state law. **Any company/organization approved for payroll deduction must abide by the solicitation guidelines or be subject to removal from the payroll deduction process.**

If deemed to be a great benefit to employees, approval may be granted by the Secretary of the Personnel Cabinet, to include information (flyers) in the employee pay checks. A written request and sample of the document(s) should be directed to the attention of Mary Elizabeth Harrod, Director of the Division of Employee Management, Department for Personnel Administration, Personnel Cabinet, 501 High Street, 3<sup>rd</sup> Floor, Frankfort, Kentucky 40601 at least thirty (30) days in advance of the requested distribution/pay date.

## **V. PERSONNEL CABINET CONTACTS**

The Payroll Branch in the Division of Employee Management handles the processing of the payroll and the issuance of the deduction checks. The following is a list of contacts:

- 1) Yvonne Richmond, Payroll Branch Manager, 502-564-6883, extension 46718 and/or Stephanie Carpenter, Division Director's Assistant, 502-564-6464, extension 46616  
[Handles problems or questions regarding the payroll/application process.]
- 2) Karen Blackburn, Payroll Branch, 502-564-6883, extension 46701  
[Handles questions regarding the issuance of check and/or listings.]
- 3) Shannan Goodrich, Payroll Branch, 502-564-6883, extension 46711  
[Sends out the application/agreement upon request and assigns the payroll utility number. ]

Each state agency maintains payroll deductions for its own employees based on the authorization cards provided by each company or organization and signed by the employee, showing the rate of coverage and the effective date of the coverage. Please note that if an employee signs up for an additional policy with the same company, that new payment must be combined with the current payment. Only one deduction per company/per pay period is allowed for any single employee. This will require an updated authorization card reflecting the two payments consolidated into one single payment, per pay period. The agency payroll officer is responsible for entering the payroll deduction into the statewide payroll system. Questions regarding deductions for an employee must be addressed to the employing agency.

A list of all payroll officers is on the Web at <http://kygovnet.state.ky.us/personnel/paypers.doc>.

**Please note that the information needs to come from the company or organization, and not the employee who has signed up for coverage.**

**When an individual employee has paid a premium in error or had too much withheld, it is the responsibility of the insurance carrier to issue a check to/payable to the employee to refund overpayment. The State cannot pay from an invoice/billing or issue a refund.**

**NOTE: The amount of money that companies receive from the Personnel Cabinet could be different each month. The reason being is that employees could be on leave without pay or may have separated from state government. Should this happen, it is the responsibility of the company to send a letter to the employee asking for a personal check if they want to retain their coverage.**

## **VI. INFORMATION PROVIDED TO COMPANIES or ORGANIZATIONS FROM THE PERSONNEL CABINET:**

The Personnel Cabinet will provide a computer-generated list containing each employee's name, and the amount of the deduction. No account numbers or policy numbers appear on this listing. The listing accompanies one check, the amount of which matches the total itemized on the deduction listing. Deductions processed in the first pay period will be issued to the company, along with the deduction listing no later than the 30<sup>th</sup> of the month. Deductions processed in the second pay period will be issued not later than the 15<sup>th</sup> of the following month. The Personnel Cabinet can also supply magnetic tape reporting if desired by the company or organization if the company or organization furnishes the tapes.